

STATEMENT BY WILLIAM W. PARSONS, ADMINISTRATIVE ASSISTANT SECRETARY,  
TREASURY DEPARTMENT, BEFORE SUBCOMMITTEE ON MANPOWER UTILIZATION AND  
DEPARTMENTAL PERSONNEL MANAGEMENT OF HOUSE COMMITTEE ON POST OFFICE  
AND CIVIL SERVICE, NOVEMBER 4, 1955

I am glad of this opportunity to tell you something about the Treasury's management improvement program and to discuss how our present efforts toward manpower reduction tie in with the very commendable objectives of your Committee. But first, let me sketch the present status of the Treasury's functions in relation to its personnel needs.

#### Current status of functions

The tables which I have submitted will give you a summary of the major activities of the Treasury and the man-years expended in their conduct. As you know, the functions of the Treasury are extremely diverse. They range from collecting the revenue to operating a military establishment. They include currency printing and coinage plants and enforcement agencies. They cover both national and international fiscal responsibilities. You will note from the tables that the factors governing the variations in Treasury activities are largely beyond the control of the Department. I refer, for example, to such variables as the number of tax returns to be processed, imports to be appraised, coins and currency to be produced and checks to be issued.

I would like now to direct your attention to the current status of some of the Department's major activities.

Treasury's request for appropriations for fiscal year 1956 were based generally on estimates that work volume would continue at about the 1955 level or higher in most bureaus. Actually, the Internal Revenue Service examined 575 thousand more tax returns during the period January to August this year than during the first 8 months last year. This resulted in

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additional assessments of \$132 million more tax than during the same period last year. Also during this period, 154 thousand more delinquent accounts were collected than in those months of the previous year, resulting in an increase in collections on delinquent accounts of \$121 million. Despite the increase of work accomplished in this area, there were 1.7 million delinquent accounts as of August 31, 1955. The Congress provided funds in the 1956 appropriations to add revenue agents and supporting personnel in order to strengthen the collection functions.

The Bureau of Customs measures its workload in terms of such factors as the number of persons entering the United States and number of packages examined. Its workload is up 10% over a comparable period last year, and from all indications this will be another record-shattering year in Customs history.

In the Fiscal Service, the Division of Disbursements anticipates a substantial increase in workload, principally in social security payments. Lower employment in this area has been achieved primarily as a result of increased production through improved processing.

The Bureau of the Public Debt expects to process an increased volume of work in 1956 with fewer employees. They are depending upon increased production standards and further management savings, as yet unidentified, to accomplish this.

The Treasurer of the United States contemplates a substantial increase in check payments due principally to social security payments. Conversion of more than 10 million items from paper to card checks is a major improvement which will permit increased production at reduced employment and cost.

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With minor exceptions, we expect the operations of the United States Coast Guard to be essentially the same in 1956 as in 1955.

Some bureaus in the Treasury have had a reduction in workload. The Mint is one of these. A decline in demand for coins led to the discontinuance of the coinage operations in the San Francisco Mint. This together with the closing of the Seattle Assay Office made it possible to separate 75 employees from the rolls.

The Bureau of Engraving and Printing, where employment has dropped from 6,079 in December 1952 to 3,951 in August 1955, contemplates a reduction in some of its operations during 1956. The primary reasons for the 35% reduction in personnel since 1952 is due to a reduced work volume, and technological advances in its plant facilities, and other management improvements. Savings of nearly \$5 million were realized from the technological improvements and about \$6 million from reduced workload.

Looking at the general picture over the past 2-1/2 years, it can be said that the Treasury workload has increased. At the same time there has been a steady reduction in personnel, ranging in some bureaus as high as 35%.

In December 1952, the Department employed 87,846 civilians and 35,694 military personnel. One year later, civilian employment had decreased to 80,865 or almost 8%. Military personnel showed a decrease of 2,727 or almost 8%. As of September 30, 1955, civilian employment had decreased to 79,150 or 10% since December 1952, despite the presence on the rolls of 325 civilians for certain liquidating functions of the RFC transferred to Treasury on July 1, 1954. The military as of that date was down to 29,212, a reduction of 18 percent.

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I have also submitted a table which shows employment by bureaus from August 31, 1946, to August 31, 1955. You will note that 75% of our civilian employees are engaged in revenue producing and related functions.

The Treasury's Management Improvement Program

The objectives and general plan of the Treasury's management improvement program are outlined in a booklet issued recently by the Secretary entitled "Machinery for Management Improvement." The booklet is intended as a check list for bureau officials and their staffs in appraising the framework within which their management improvement programs operate, and as an informational and training document at lower supervisory levels. It has been one means by which the Secretary's interest in economy and efficiency has been reflected down the line to top and middle management officials in the bureaus, to first-line supervisors, and to every employee. I have brought along copies of the booklet for your information.

The Treasury's organization for obtaining management improvements is designed to take advantage of all skills and talent available. At the departmental level, the Administrative Assistant Secretary is responsible for directing and coordinating the program. This is done in collaboration with the Treasury Management Committee, which was established by the Secretary "to further in every way possible the Treasury's efforts to improve, and reduce the cost of, its services."

The Management Committee is composed of a top administrative official from each bureau, with the Administrative Assistant Secretary as Chairman.

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The Committee suggests ways to stimulate interest and participation in management improvement, initiates or advises on plans to improve operations, and serves as a forum for the exchange of information.

Also aiding in the management program at the departmental level are a small management staff and the Offices of Personnel, Budget, and Administrative Services. These staffs -

1. Encourage and assist bureaus in carrying out their responsibilities for management improvement.
2. Review and evaluate effectiveness of the bureau's efforts.
3. Assist in solution of problems cutting across bureau lines.
4. Furnish advice and assistance to bureaus on management problems and conduct special surveys of bureau activities.
5. Take leadership in improving department-wide procedures in budgeting, personnel administration, and property management.
6. Interpret and pass on to the bureaus instructions from central staff agencies on conduct of specific phases of the program.
7. Supervise the administration of the Incentive Awards Program.

In addition, staff assistants attached to the Fiscal Assistant Secretary's Office, and the Accounting Systems staff of the Bureau of Accounts aid our management improvement efforts, especially in the revision of fiscal accounting

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procedures and in studies concerning possible utilization of high-speed electronic equipment in operations involving large work volume.

At the bureau level the bureau head is responsible for the conduct of the management improvement program. His responsibility is carried out by his line officials and first-line supervisors.

Most of the larger bureaus like Internal Revenue, Customs, and Public Debt have full-time management staffs. The smaller bureaus use their top administrative officers in this capacity or call on the departmental staff for assistance.

Through the Incentive Awards Program and through training programs for supervisors and employees we have enlisted the aid of every employee, both here and in the field service, to suggest better methods and procedures for doing the job. We feel we have made progress in creating a work atmosphere that is conducive to improvement and progress and in instilling a feeling of cost consciousness right down to the lowest organizational level.

Accomplishments illustrating the results of this program have already been furnished to your staff. However, the best yardstick for measuring results probably lies in this one fact: Between December 31, 1952, and September 30, 1955, we have reduced the number of employees in the Department by 12%. This represents a decrease of 15,178 persons.

I would like to give you a few illustrations of the actions taken which made this reduction in personnel possible.

1. The Internal Revenue Service was completely reorganized with many functions being decentralized to the field. The regional offices were reduced from 17 to 9. The filing period for excise tax returns was changed from a monthly to a quarterly

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2. Customs made numerous procedural changes - weighing operations were modified, a uniform assignment of personnel to inspectional activities was adopted, and scientific sampling was extended for the examination of merchandise packages.
3. In the Bureau of Engraving and Printing, the first phase of the modernization program was completed. This involved the conversion of equipment to handle an 18-subject sheet for printing currency. Previously 12 notes were printed on one sheet of paper. In addition, the printing of U. S. Savings Bonds in denominations of \$25, \$50 and \$100, and liquor tax stamps was changed from the intaglio to the offset printing method.
4. The Bureau of the Mint continued to modernize equipment and methods in the Denver and Philadelphia Mints and discontinued coinage operations at the San Francisco Mint.
5. The Fiscal Service, which includes the Bureau of Accounts, Bureau of the Public Debt, and Office of the Treasurer of the United States, adopted new labor-saving devices for use in issuing Government checks, consolidated disbursing offices, decentralized the audit and destruction of unfit United States currency to the Federal Reserve banks, revised the redemption procedure for processing United States Savings Bonds, and converted numerous disbursing accounts using paper checks to the card check form, thereby reducing manual processing.

How the Treasury Program Ties in with Committee's Objectives

Let me pass on now to specific recent steps which the Secretary has initiated to augment the Treasury's management improvement efforts, and discuss how they fit in with the objectives of this Committee.

If my understanding is correct, the major objectives of your Committee are to reduce manpower and to improve manpower utilization in the Executive Branch of the Government.

As the Secretary has written you, the Treasury is wholeheartedly in accord with these objectives. Indeed they are, and have been, principal tenets of the Department's management improvement program. Actually the objectives of our program are even broader in scope, since the program is designed to seek not only reductions in personnel expenditures but also savings in materials, space, and all other possible ways.

Although we are in complete accord with the Committee's objectives, the Treasury has adopted somewhat different methods than those suggested by the Committee to attain the desired goals.

We believe that unnecessary personnel increases in the Treasury can be prevented by existing manpower controls and budgetary limitations. As we pointed out in reply to your questionnaire on manpower controls, we think that our system of control, which is decentralized to the operating bureaus, is effective. As an example of the way the bureaus have handled this problem, two of our largest bureaus — the Internal Revenue Service and Bureau of Customs — have developed well-defined staffing patterns for their headquarters offices and the entire field organizations. These implement rather strict financial controls over hiring, and any deviations from the pattern must be justified.



The Internal Revenue Service and the Division of Disbursement in the Bureau of Accounts have marked seasonal peaks in their workloads and their manpower controls are geared accordingly. During peak periods they employ temporary help to handle the increased volume of work. As soon as the workload declines, the temporary employees are released. This will be evident in the monthly reports to your Committee after the first of the year when the tax filing and tax refund programs get in full swing.

Looking toward further personnel reductions and other savings, the Secretary recently has directed the bureau heads to intensify their efforts to effect management economies (this directive is attached as Exhibit I). We have already done much in this direction. We can always take a fresh look. We can always do more. Our renewed efforts will place increased emphasis on:

1. A thorough review of non-adopted recommendations.
2. A complete review of the organizational structure, looking toward the elimination or combination of organizational segments.
3. The study of all programs, functions, activities, and operations looking toward their elimination, combination, curtailment, or simplification.
4. A study of products produced and commercial-type services performed.
5. Special studies of such areas as printing and reproduction reports, forms, space, equipment, communications, etc.

Tentative requirements for implementing the Secretary's directive have been spelled out to the Treasury Management Committee, and they are presently working out further details for guidance in carrying out this broad program.

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These steps are in line with the Administration's desire to squeeze every excess dollar out of the Federal budget. We shall be glad to report to you from time to time on the progress of our efforts and shall welcome any suggestions or help your Committee may give us.